

Environmental Assessment (Draft)
November 17, 2004

Proposed Action: Minerals Management Service to Grant Suspension of Production for Arguello Inc.'s Rocky Point Unit (Leases OCS-P 0452 and 0453)

Operator: Arguello, Inc.

Area: Southern Santa Maria Basin,
Offshore Santa Barbara County, California

Responsible Agency: Minerals Management Service
Pacific OCS Region
Office of Environmental Evaluation

Abstract: The MMS proposed action is to grant a Suspension of Production for Arguello, Inc.'s (Arguello) Rocky Point Unit for a period of 37 months. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175). In this case, the suspension would allow Arguello 37 months to prepare revisions to the Platforms Hermosa and Hidalgo Development and Production Plans and submit them to MMS for subsequent technical and environmental review. MMS would approve, require modification, or disapprove the plans. All of these administrative activities would be completed by Arguello and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. Since there are no impact-producing agents associated with Arguello's proposal, there would be no environmental impacts.

How to Comment: MMS requests that you submit your comments electronically via *Public Connect*, MMS's on-line commenting system. If you do not have access to the internet, you may submit comments by mail. MMS no longer accepts comments by email.

Comments To Be Received By: December 16, 2004

Comment On *Public Connect* At: <http://ocsconnect.mms.gov>

By Mail: Minerals Management Service
Attn: Suspension—EA Comments
Office of Environmental Evaluation
770 Paseo Camarillo
Camarillo, CA 93010-6064

For further information, contact: Maurice Hill, Environmental Coordinator, Minerals Management Service, 770 Paseo Camarillo, Camarillo, CA 93010; (805) 389-7815

Environmental Assessment (Draft)

Arguello, Inc.

Rocky Point Unit

Leases OCS-P 0452 and 0453

1 Introduction

On June 20, 2001, the U.S. District Court for the Northern District of California (hereinafter referred to as the Court) issued a ruling in *California v. Norton* (No. C 99-4964 CW, Northern District of California) ordering the Minerals Management Service (MMS) to provide a reasoned explanation for its reliance on the categorical exclusion and the inapplicability of the extraordinary circumstances exceptions in granting certain suspensions¹. MMS has decided to forego reliance on the categorical exclusion for the suspensions in this case in favor of preparing Environmental Assessments (EA's). On February 26, 2004, the Court ordered the Federal Defendants to propose a timetable for completing their analyses of applications for suspensions filed by the operators for nine units and one non-unitized lease offshore southern California, and for submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time for the MMS to prepare six EA's to analyze the environmental impacts of granting the suspensions.

This EA covers the Rocky Point Unit, operated by Arguello, Inc. (hereinafter referred to as Arguello). The Unit is located in the southern Santa Maria Basin, offshore Santa Barbara County (Figure 1-1), and is described in the background section, below.

1.1 Need for the Proposed Action

MMS's Need: Pursuant to the Outer Continental Shelf Lands Act (OCSLA), as amended, the MMS is required to balance expeditious and orderly mineral resource development with the protection of the human, marine, and coastal environment. If MMS grants a Suspension of Production (SOP) for Arguello's Rocky Point Unit, it would allow the company time to prepare revisions to the Platforms Hermosa and Hidalgo Development and Production Plans (Point Arguello DPP revisions) and submit them to MMS. Pursuant to 30 CFR §250.204, MMS would conduct a technical review, comply with the National Environmental Policy Act (NEPA), and approve, require modification, or disapprove the Point Arguello DPP revisions.

Arguello's Need: Arguello needs MMS to grant a suspension for the Rocky Point Unit to allow time to conduct administrative activities to update and submit revisions to the Point Arguello DPP's to the MMS. This action would allow Arguello's DPP revisions to undergo an MMS technical and environmental review and decision process within the suspension period.

¹ A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175).

The proposed action meets both MMS's and Arguello's needs in this case.

Arguello's goal beyond the suspension period is to develop and produce from the Rocky Point Unit. DPP revisions would need to be approved by MMS and reviewed by appropriate Federal, State and local agencies before extended-reach drilling can occur into the Rocky Point Unit from existing platforms located in the adjacent Point Arguello Unit.

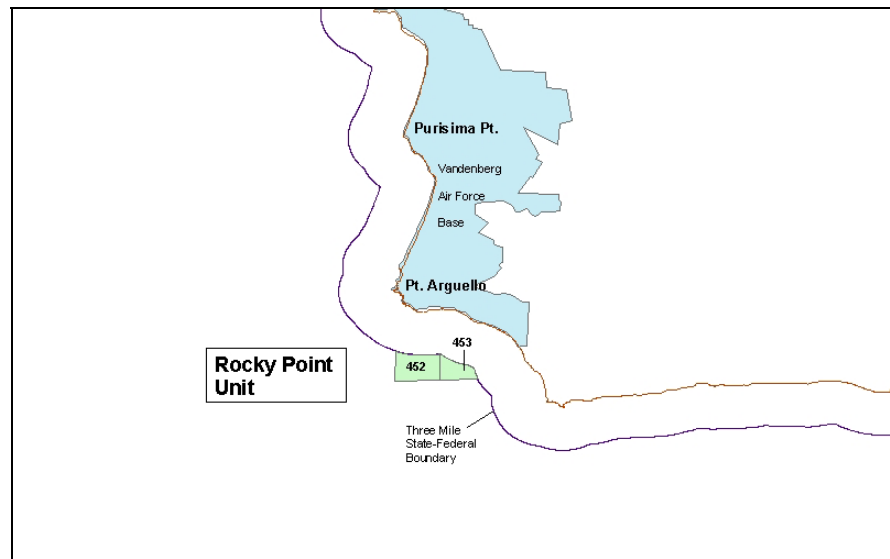


Figure 1-1. Arguello's Rocky Point Unit.

1.2 Background

The Rocky Point Unit is comprised of two leases, OCS-P 0452 and 0453, in the southern Santa Maria Basin, offshore Santa Barbara County (Figure 1-1). The leases were issued in Lease Sale 53 on May 28, 1981. Four wells were drilled on one lease and MMS issued one Producibility Determination. In 1985, along with the eastern half of Lease OCS-P 0451, the leases were unitized as the Rocky Point Unit. The unit was held through November 1999 by virtue of a series of suspensions issued for a variety of reasons (e.g., reinterpretation of seismic data, permitting activities, etc.). A lengthy suspension ending in 1999 was directed by MMS for the development and completion of a multi-interest study (MMS, 1999) on the onshore consequences of offshore oil and gas development.

On May 13, 1999, Whiting Petroleum Corporation (predecessor operator of the Rocky Point Unit) submitted a request to MMS for an SOP for the Rocky Point Unit. The MMS granted an SOP on November 12, 1999. In November 2000, Arguello, Inc. became operator of the Rocky Point Unit. In April 2001, Arguello submitted revisions to the Point Arguello DPP's for development of the Rocky Point Unit, and in May 2001, Arguello applied to the County of Santa Barbara for a modification to the Final Development Plan. A joint draft environmental document was prepared by MMS and the County of Santa Barbara for the Rocky Point Unit development. Also, in May 2001, Arguello submitted a consistency certification to the California Coastal Commission (CCC). On June 4, 2001, the MMS deemed the Point Arguello DPP revisions submitted. The November 1999 suspension decision was set aside as a result of the ruling by the Court in *California v. Norton* on June 20, 2001. As ordered by the Court, the MMS

issued a directed SOO for the Rocky Point Unit. MMS stated that the directed SOO would terminate when the MMS acted on the suspension request of May 13, 1999. In July 2001, MMS notified Arguello that it was suspending review of the proposed revisions to the Point Arguello DPP's for the Rocky Point Unit as a result of the Court decision. In August 2001, Arguello requested that the CCC suspend federal consistency review for the proposed revisions to the Point Arguello DPP's.

In July 2001, MMS offered Arguello an opportunity to update its May 1999 suspension request, which Arguello submitted on August 2, 2001. In 2003, Arguello pursued development in the eastern half of Lease OCS-P 0451 (the lease is held by production in the Point Arguello Unit), submitting DPP revisions and Final Development Plan (FDP) modifications to MMS and Santa Barbara County, respectively. MMS removed the eastern half of Lease OCS-P 0451 from the Rocky Point Unit in 2003. Approvals for the DPP revisions by MMS, FDP modifications by Santa Barbara County, and consistency concurrence by the CCC were received in August 2003 for the eastern half of Lease OCS-P 0451. Arguello commenced to develop the eastern half of Lease OCS-P 0451 in the Rocky Point field in 2004, with the first well brought to production in October 2004.

On March 10, 2004, in accordance with the Court Order, MMS required Arguello to submit updated information relating to its suspension request. On April 20, 2004, Arguello submitted an update, requesting a 37-month SOP for the Rocky Point Unit.

2 Description of Alternatives Including the Proposed Action and Need for the Proposed Action

The following sections include a discussion of the proposed action and alternatives.

2.1 Alternative 1: Proposed Action—Grant Suspension

The MMS proposed action is to grant an SOP for 37 months to Arguello for the Rocky Point Unit. Assuming an MMS decision on the SOP in July 2005, the SOP would extend through August 2008; the ending date would change proportionately if a decision is made before or after July 2005. Granting the suspension would allow Arguello time to revise and submit Point Arguello DPP revisions to MMS. No physical activities on the unit would occur during the suspension period.

2.1.1 Arguello's Suspension Request

In the current updated SOP request, dated April 20, 2004, Arguello requested a time period of 37 months to prepare and submit Point Arguello DPP revisions (see Appendix). These revisions would be made to the Platforms Hermosa and Hidalgo DPP's that were approved within the Point Arguello Unit and were recently revised to include development of the eastern half of Lease OCS-P 0451 (which overlies a portion of the Rocky Point field reservoir, the remainder of which is in the Rocky Point Unit). All of these activities would be completed by Arguello and/or their consultant(s) in an office setting and involve no physical activities on the offshore Unit itself. The Arguello SOP request includes a reference to "begin EP Operations". However, on November 1, 2004, MMS notified Arguello that should MMS grant a suspension, the suspension period will not include any drilling operations (Appendix). Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a

suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided in the regulations.

2.2 Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOP for Arguello's Rocky Point Unit in the southern Santa Maria Basin. Adoption of this alternative would result in the expiration of the leases in the Rocky Point Unit. The need for the proposed action would not be achieved. However, this alternative is available only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension.

2.3 Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP for Arguello's Rocky Point Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare a Consistency Determination in contemplation of adjudicating the suspension request. The need for the proposed action would not be achieved.

3 Scope of Environmental Analysis and Consultation and Coordination

3.1 Scope of Environmental Analysis

MMS determined that the temporal scope of the environmental analysis of the proposed action would encompass the 37-month time period during which Arguello would conduct certain administrative activities leading to the submission of Point Arguello DPP revisions to the MMS, pursuant to 30 CFR. §250.204, for subsequent technical and environmental review and decision by the MMS during the suspension period. These activities are described above in Section 2.1.1. All of these activities would be completed by Arguello and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. The SOP request is for 37 months and does not involve any impact-producing activities.

The OCSLA, as amended, provides a four-phased approach to accessing potential oil and gas operations on the Federal OCS: 1) program development, 2) lease sale, 3) exploration, and 4) development and production. At each phase, a NEPA document is prepared in accordance with NEPA, CEQ regulations, MMS regulations, and MMS NEPA compliance procedures. Subsequent to agency and public review and comment, the MMS must approve each phase before that activity may occur.

For the Rocky Point Unit, the suspension decision falls between step 3 (exploration) and step 4 (development and production); previously, Arguello received MMS approval and State CZMA consistency for EP's, drilled a number of exploratory wells, and received a Producibility Determination from MMS. Revisions to the Platform Hidalgo and Platform Hermosa DPP's to develop the Rocky Point Unit would be reviewed under 30 CFR §250.204 by the MMS during the suspension period. In fact, for the Rocky Point Unit, prior to the June 2001 Court Order, MMS was preparing a draft EA for Arguello's planned development and production operations for review and comment. When the updated Point Arguello DPP revisions are submitted during the suspension period, the

MMS would revise that draft EA based on the new information, and circulate the revised draft EA for review.

Development activity occurs after the suspension period could only occur if the DPP's were submitted by the operator, MMS conducts a review of the DPP's under 30 CFR §250.204, and MMS approves the DPP revisions. Both processes require NEPA review. Reviews would also be conducted, as needed, by the State of California, the CCC, Santa Barbara Air Pollution Control District, Santa Barbara County Energy Division, NOAA Fisheries, Channel Islands National Marine Sanctuary, Channel Islands National Park, U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, and U. S. Environmental Protection Agency.

3.2 Scoping Process

As part of the NEPA review process, MMS involved the public and various private and government agencies in the determining of the scope of the EA's for the suspension decisions. On July 21, 2004, MMS sent a public announcement (Appendix) concerning scoping for the EA's to 260 entities who previously expressed interest in the undeveloped leases. The mailing list included elected officials, Federal, State and local agencies, public interest groups and individuals. MMS also published the announcement at (<http://www.mms.gov/omm/pacific/index.htm>) and phoned key public agencies. The public scoping period ended on August 26, 2004 (which provided about 36 days for comment). A total of 129 public scoping comments were received. The process also involved a review of past comments received on the undeveloped leases, including the CCC's August 5, 1999 concern that "changed circumstances and new information should be considered in evaluating environmental impacts..."

A number of issues were raised by Federal, State, and local agencies and the public with respect to the scope of analysis for the suspension decisions. Primarily, the comments focused on:

- Environmental impacts associated with exploration and development activities that would occur after the suspension period ends;
- Reasonably foreseeable and connected actions;
- Requests for MMS to prepare an Environmental Impact Statement to address the exploration and development activities;
- Requests that all the resources of the Channel Islands National Park be considered;
- Questions concerning the suspension process including diligence in developing the leases, the length of the suspensions, unitization, and whether the suspensions were undertaken according to MMS regulations and the Court decision of June 20, 2001; and,
- Changed circumstances and new information should be considered in evaluating environmental impacts.

Additionally, several comments were received expressing support for the exploration, development, and production of oil and natural gas resources offshore southern California.

After MMS's review of the suspension request and the scoping comments received, MMS prepared this EA to determine if there would be any significant environmental impacts as a result of granting the SOP. Other activities, including potential development, were determined to be outside the scope of this analysis because these activities: 1) will not occur while the Unit is under suspension, and 2) require separate review and approval by MMS and other appropriate agencies before they may occur. Specifically, development activities cannot occur unless: 1) the operator submits a revised DPP(s) to MMS, 2) MMS completes technical and environmental reviews of the DPP(S); and, 3) MMS and other appropriate State and Federal agencies review these activities and approve them as necessary. As stated previously, the need for granting the suspension is to allow the operator time to prepare and submit the information needed by MMS and other agencies in order to conduct these reviews, and time for these reviews to occur.

3.3 Consultation and Coordination Process for Protected Species and Essential Fish Habitat

This section describes the consultation and coordination process that was conducted by MMS in preparing this EA. The process involved: (1) MMS initial coordination with Federal, State, and local agencies; and, (2) MMS Endangered Species Act and Essential Fish Habitat consultation with NOAA Fisheries and U.S. Fish and Wildlife Service (FWS).

Endangered Species Act and Marine Mammal Protection Act Consultation

The MMS conducted a telephone conversation on August 5, 2004, with Ms. Monica DeAngelis of NOAA Fisheries' Southwest Regional Office, Division of Protected Species to describe the proposed action and to convey its determination that the action is expected to have no effects on marine mammal and sea turtle species listed as endangered or threatened under the U.S. Endangered Species Act and that no marine mammals would be 'taken,' as defined by the Marine Mammal Protection Act. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Also on August 2, 2004, MMS contacted Mr. Greg Sanders at the U.S. Fish and Wildlife Service's Ventura Field Office (FWS) by telephone to describe the proposed action and to inform him of its determination that the action would not affect federally listed species under the purview of the Fish and Wildlife Service. Since the proposed action is administrative, and does not involve any offshore activities, FWS concurred with the MMS conclusion.

Essential Fish Habitat Consultation

On August 24, 2004, MMS contacted Mr. Bryant Chesney of NOAA Fisheries' Southwest Regional Office, Division of Habitat Conservation to describe the proposed action and to convey its determination that the action is expected to have no effects on species managed by the Pacific Fishery Management Council or on Essential Fish

Habitat. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Federal Consistency

In compliance with CZMA §1456(c)(1) and its implementing regulations, and in compliance with the Court's Order of June 28, 2004, the MMS will provide the CCC with a Consistency Determination for the suspension decision for Arguello's Rocky Point Unit by April 6, 2005. MMS has had ongoing discussions with Ms. Alison Dettmer and Mr. Mark Delaplaine of the CCC concerning the MMS suspension decisions.

4 Environmental Impacts of Alternative 1: Proposed Action—Grant Suspension

The proposed action is for MMS to grant an SOP for Arguello's Rocky Point Unit. In the current updated SOP request, dated April 20, 2004, Arguello requested a time period of 37 months to update and submit Point Arguello DPP revisions to MMS. Therefore, the only activity during Arguello's suspension is preparation of these documents. This activity would be completed by Arguello and/or their consultant(s) in an office setting and involve no physical activities on the offshore unit itself. Since there are no physical activities on the offshore unit itself from the granting of the SOP, there would be no environmental impacts. MMS would submit the DPP revisions to a technical and environmental review and decision process during the suspension period. Drilling may only occur subsequent to the suspension period and if separate approval from MMS is received per the regulatory process governing DPP's (30 CFR §250.204).

Since there are no environmental impacts, there is no incremental impact of the proposed action when added to existing cumulative impacts.

5 Environmental Impacts of Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOP for Arguello's Rocky Point Unit only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension. Adoption of this alternative would result in the expiration of the leases in Arguello's Rocky Point Unit in the southern Santa Maria Basin. No environmental impacts would result from the denial of the suspension.

6 Environmental Impacts of Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP for Arguello's Rocky Point Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare consistency determinations in contemplation of adjudicating the suspension requests. No environmental impacts would occur under this alternative.

7 List of Preparers (in alphabetical order)

Joan Barminski	Chief, Office of Reservoir Evaluation and Production
Nollie Gildow-Owens	Program Analyst, Office of the Regional Manager
Maurice Hill	Environmental Coordinator, Office of Environmental Evaluation
John Lane	Chief, Environmental Analysis Section, Office of Environmental Evaluation,
Drew Mayerson Production	Geophysicist, Office of Reservoir Evaluation and
David Panzer	Oceanographer, Office of Environmental Evaluation
Fred Piltz	Senior Environmental Scientist, Office of Environmental Evaluation
Allan Shareghi	Geologist, Office of Reservoir Evaluation and Production
John Smith	Physical Scientist, Office of Environmental Evaluation

8 References

MMS, 1999. California Offshore Oil and Gas Energy Resources Study. Prepared by Dames and Moore, OCS Report MMS No. 99-0043.

APPENDIX

1. Arguello, Inc. letter to MMS requesting suspensions, dated April 20, 2004
2. MMS Public Announcement requesting scoping comments, dated July 21, 2004
3. MMS letter to Arguello, Inc. clarifying suspension action, dated November 1, 2004

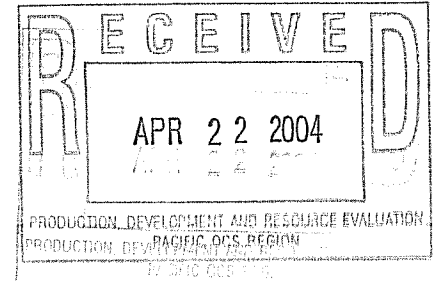
PXP

ARGUELLO INC.

April 20, 2004

from the desk of:
Robert E. Huguenard
Project Manager

Ms. Joan Barminski
Chief, Reservoir Evaluation
Pacific OCS Region
Minerals Management Service
770 Paseo Camarillo
Camarillo, California 93010



note: Fax received
4/20/04

Subject: Update to Rocky Point Unit Suspension Request

Dear Ms. Barminski:

This letter is in response to your letter of March 10, 2004, requesting that we update our August 2, 2001 suspension request for leases OCS P-0452 and 0453 (the Rocky Point Unit).

This letter along with the attached Gantt chart and "Discussion of Activities," provide both a chronology of key events and activities that have occurred since our last request and a revised schedule of work to account for the time we estimate will be needed to complete the remaining required activities leading to commencement of lease production.

A. Discussion of Key Events and Activities

Arguello Inc. has been working for four years on the development of the Rocky Point Unit. Arguello Inc. has expended considerable time and funds on its own behalf and that of the Rocky Point partners. Additionally, a number of governmental agencies have been aggressively working on the permitting of this project.

Arguello, Inc. recognizes that one of the Rocky Point partners, Delta Petroleum Corporation, joined by other lessees, filed a breach of contract action against the United States in the U.S. Court of Federal Claims, *Amber Resources Co. v. United States*, No. 02-30C (the "Amber case"). Arguello Inc. submits this letter and the information herein without intending to waive any of the legal positions or rights of Delta Petroleum Inc. in the *Amber* case.

Arguello Inc. submitted to the MMS revisions to Point Arguello Field Development and Production Plans (DPP) in April of 2001 that covered the development of the Rocky Point Unit with no new platforms or pipelines and only minor changes to topside equipment within the Point Arguello Unit. In May of 2001 Arguello Inc. submitted an application to the County of Santa Barbara for a Final Development Plan (FDP) modification to cover the Rocky Point Unit Development. As a result of these applications the County of Santa Barbara and the MMS prepared a joint environmental document for the project. In May 2001, Arguello Inc. submitted to the California Coastal Commission (CCC) an application for consistency determination for the Rocky Point Unit Development.

All of these applications were moving through the process, and the project was on track to have all final permits by the end of 2001. In June 2001 the *California v. Norton (Norton)* decision was issued, which effectively stopped all permit processing work on the Rocky Point Unit development since two of the three Rocky Point leases (OCS P-0452 and OCS P-0453) were involved in the *Norton* suit. With the Department of Interior's subsequent appeal of the *Norton* decision, development of the Rocky Point Unit, as originally proposed by Arguello Inc., was not able to move forward at that time.

In order for the development of Rocky Point to begin without having to wait until after a final decision on the *Norton* appeal, and because the OCS P-0451 lease was held by production (and hence not affected by the *Norton* lawsuit), in August of 2002, Arguello Inc. submitted a new DPP revision request that contained a modified Rocky Point field development project that only included the development of the E/2 OCS P-0451 lease. Concurrently, Arguello also submitted the same modified project application to the county of Santa Barbara. In March of 2003 the MMS contracted the Rocky Point Unit to remove the E/2 OCS P-0451 lease from the unit. In August of 2003 the MMS approved Arguello's proposed revisions to the Point Arguello field DPP to include development of the E/2 OCS P-0451 lease. The California Coastal Commission also approved these DPP revisions in August of 2003. Santa Barbara County approved the project in September of 2003. We are currently mobilizing the drilling equipment to begin drilling the first of the E/2 OCS 0451 wells.

B. Proposed Strategy for Development of the Rocky Point Unit

Several of the previously identified work elements have been completed as shown on the attached Gantt chart. None of these elements were previously considered as critical path items so their completion does not substantially shrink the overall estimated time from our earlier request. Some of the other previously identified work elements have been completed for the E/2 0451 lease development and can be modified or reviewed to make them applicable to the

development of the now contracted Rocky Point Unit. For this reason, we have kept our earlier time estimates the same.

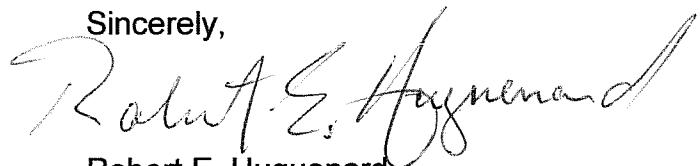
Once the suspension of production is approved, we would move forward as quickly as possible and may be able to complete some or all of the listed work elements sooner than estimated. If this occurs, we would begin production of the Rocky Point Unit sooner than estimated. Furthermore, if the permitting time line happens to become aligned with our drilling progress on the E/2 OCS P-0451 we might be able to utilize the same drilling rig that is currently being mobilized for the E/2 OCS P-0451 drilling program to begin drilling into the Rocky Point Unit. This would allow for an earlier spud date without having to wait for mobilization of a rig capable of handling these extended reach wells.

After the start of the new suspension, we would initiate permitting activities for the Rocky Point Unit as soon as we are able to review and modify our project description, prepare the new data necessary for the DPP revision, and prepare for submission any other required application materials. The project description would retain most if not all of the attributes from our previous submission. Namely, we would develop the Rocky Point Unit with existing Point Arguello platforms and pipelines.

Regarding the three items we mentioned in our August 2, 2001 request (i.e. drilling technology report, petro-physical analysis report, and mapping based on 3-d seismic reinterpretation), we have already provided your office with these items.

If you have any questions or comments, please contact me at (805) 567-1634.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert E. Huguenard", written in a cursive style.

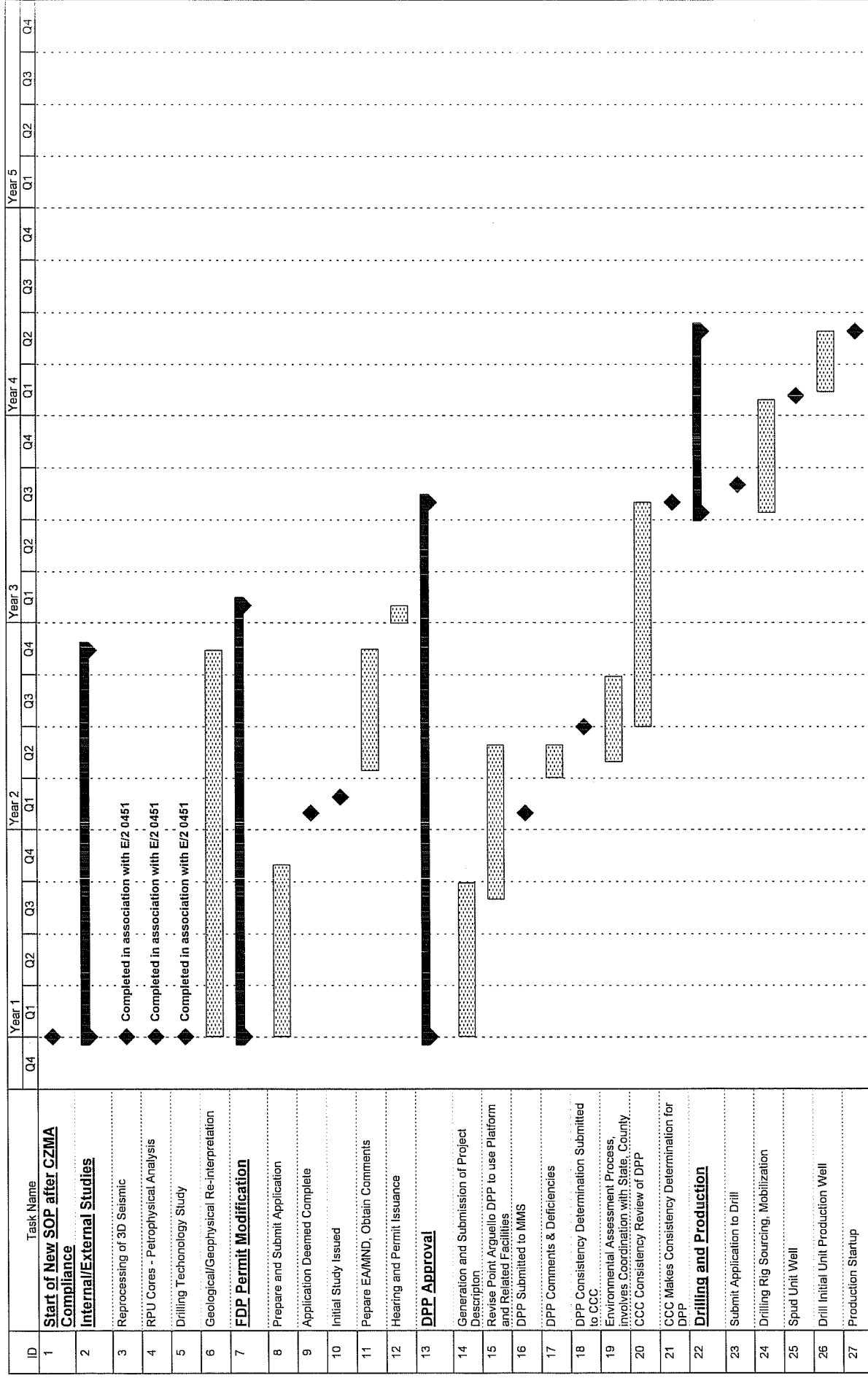
Robert E. Huguenard
Project Manager

Enclosure(s)

REH/als

Rocky Point Unit - Offshore California

Suspension of Production - Development Program Schedule of Events Leading to Production



Project: SOP

Date: 4/20/04

Task

Progress

Milestone

Summary

Rolled Up Task

Rolled Up Milestone

Rolled Up Progress

Split

External Tasks

Project Summary

Rocky Point Unit

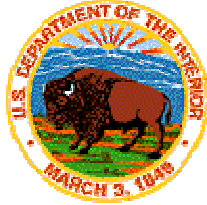
Santa Barbara Channel
California

Discussion of Activities

August 01 – March 04

Arguello Inc.

October 15, 2001	Geophysical interpretation of reprocessed seismic data complete.
November 8, 2001	Rincon Energy, LLC retained to reinterpret reprocessed seismic data. Includes additional processing (i.e. depth migration).
November 14, 2001	GeoSystems submits final report on Rocky Point and Point Arguello reservoir characteristics (core study and comparative analysis).
January 18, 2002	Preliminary seismic reinterpretation completed by Rincon Energy, LLC
January 31, 2002	Arguello Inc. manually planimetered preliminary maps by Rincon Energy and calculated preliminary volumetrics.
February 14, 2002	Revised preliminary well locations based on seismic reinterpretation.
March 2002	Seismic reinterpretation of the three horizons contracted by Rincon complete.
April 2002	Arguello Inc. created 3D model of Rincon interpretation in Earthvision.
May 2002	Completed integrating RP DST, PAU DST, PAU production log, PAU production, and nodal analysis data. Result was ranged and expected production schedule estimates for RP wells.
May 22, 2002	Volumetrics generated in Earthvision and compared to manual calculations.
August 2002	Arguello Inc. submitted revised DPP revision request to MMS and revised project application to County of Santa Barbara.
October 7, 2002	GeoSystems performed tests on Rocky Point and Point Arguello core samples to determine effects of acid on reservoir rocks (potential damage or efficiency of wellbore clean-up and stimulation).
March 2003	MMS demanded contraction of the Rocky Point Unit to exclude the E/2 of OCS P-0451 lease.
August 2003	MMS and California Coastal Commission approved the Point Arguello Unit DPP revision to include development of the E/2 of OCS P_0451 using existing Point Arguello field platforms and pipelines.
September 2003	County of Santa Barbara approved development of the E/2 OCS P-0451 using existing Point Arguello field platforms, pipelines and onshore facility.



**U. S. Department of the Interior
Minerals Management Service**



PUBLIC ANNOUNCEMENT

**Request for Scoping Comments
For Preparation of Environmental Assessments
For Granting Lease Suspensions on 36 Undeveloped OCS Leases
July 21, 2004**

Agency Action

On February 26, 2004, the Court in *California v. Norton*, No. 99-4964 (CW) N.D. Cal. ordered the Federal Defendants to propose a timetable for completing their analyses of applications for lease suspensions filed by the operators of 36 undeveloped leases offshore California, and submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time to prepare six environmental assessments to analyze the environmental impacts of granting the lease suspension requests.

The MMS action is to grant, deny, or take no action on each of the operator's suspension requests. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct lease holding operations [Suspension of Operations (SOO)]." A suspension provides an extension of a lease in certain circumstances (see 30 CFR 250.172-175). In certain instances, operators have proposed to conduct geohazards or other surveys to assist in the preparation of their revised Exploration Plans. These surveys will be addressed in the EAs that MMS is preparing and would be conducted after the suspension is granted. The granting of a suspension will not authorize any exploration or development and production operations.

Description of the Suspension Requests and Location of the 36 Undeveloped Leases

Refer to the table and maps on the following pages.

NEPA Process and Public Scoping

Under the National Environmental Policy Act (NEPA) (42 U.S.C. 4321 *et seq.*) an Environmental Assessment (EA) serves as an information document for government decision makers and the public. The purpose of an EA is to: help decision makers base their decision on an understanding of environmental consequences; identify ways that environmental effects can be mitigated or avoided; identify alternatives that would avoid or reduce effects to the environment by requiring changes in the proposal when feasible; and to disclose to the public the environmental information and analyses upon which Federal decisions will be based.

Scoping is the process used to help determine the appropriate content of an EA. Public input is an important part of the scoping process. The purpose of soliciting input is to properly identify as many relevant issues, alternatives, mitigation measures, and analytical tools as possible so they may be incorporated into the EA. The scoping comments assist in determining the breadth and depth of the analysis.

Based on the information received during the initial scoping effort and other information, such as the location of sensitive natural resources, time of year, projected oil and gas activity, alternatives to the proposal are identified that might reduce possible impacts. In addition, reasonable mitigation measures that could reduce or eliminate possible impacts are considered for analysis in the EA.

Detailed information concerning NEPA may be found at <http://ceq.eh.doe.gov/nepa/nepanet.htm>. Frequently asked questions about compliance with the National Environmental Policy Act (NEPA) are provided at <http://www.epa.gov/compliance/resources/faqs/nepa/index.html>.

MMS's Environmental Assessment (EA) Preparation Schedule

1. Public Scoping Comments Due: 8/26/2004
2. Draft EAs Available for Public Comment: 11/17/2004
3. Draft EAs' Public Comment Period Closes: 12/16/2004
4. MMS Finalizes EAs: 2/13/2005

Submittal of Scoping Comments

Comments may be sent to MMS by email or by mail and must be received by MMS no later than **August 26, 2004**. All comments should include the name and mailing address of the person commenting. It is the practice of MMS to make comments, including names and home addresses of respondents, part of the public record. Individual respondents may request that we withhold their home address and/or identity from the record. We will honor such requests to the extent allowable by law. If you wish for us to withhold your name and/or address, you must state this prominently at the beginning of your comments. We will not consider any anonymous comments.

All interested persons, organizations and agencies wishing to provide scoping comments on the proposed actions may do so by sending them in time to reach MMS by **August 26, 2004** to the appropriate address below:

By Email: Suspension-EA@mms.gov

By Mail: **Minerals Management Service**
 Attn: Suspension – EA Comments
 Office of Environmental Evaluation
 770 Paseo Camarillo
 Camarillo, CA 93010-6064

The Draft EAs will be available for public review starting **November 17, 2004**. Draft EAs will be mailed to government agencies and elected officials. A digital copy will be posted on the MMS, Pacific Region homepage (<http://www.mms.gov/omm/pacific/>). Members of the public, who are not able to access the Region's website, and want to receive the Draft EAs, need to submit a written request to MMS at the mailing address given above. Requests for copies of the Draft EAs should specify whether "paper" or "CD" copy is preferred.

FOR FURTHER INFORMATION: Questions concerning the Draft EAs should be directed to Mr. Maurice Hill, Office of Environmental Evaluation, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7815.

Questions concerning the operators' suspension requests should be directed to Ms. Joan Barminski, Office Reservoir Evaluation and Production, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7707.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
LEASE 409 – Not unitized. Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on Lease OCS-P 0409, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
LION ROCK UNIT / LEASES OCS-P 0396, 0397, 0402, 0403, 0408, 0414 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on the Lion Rock Unit, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
PURISIMA POINT UNIT / LEASES OCS-P 0426, 0427, 0432, 0435 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension request ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Purisima Point and Pt. Sal Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the ROV biological survey is estimated to take approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for the leases in the Purisima Point Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit

¹ Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS grants their suspension, it would not be for a range of dates; it would be for a finite length.

² Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
POINT SAL UNIT / LEASES OCS-P 0415, 0416, 0421, and 0422 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 20 to 31 months, depending on the date of approval ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension application ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Pt. Sal and Purisima Point Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the estimated time for the ROV biological survey will be approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for leases in the Point Sal Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
SANTA MARIA UNIT / LEASES OCS-P 0425, 0430, 0431, 0433, and 0434 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date of approval ¹ . No activities, during the suspension period, on the Santa Maria Unit would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
BONITO UNIT / LEASES OCS-P 0443, 0445, 0446, 0449, 0499 and 0500 Operator: NUEVO ENERGY CO.	Nuevo has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Nuevo has requested a suspension of 10 or 17 months ³ . Nuevo may propose to drill delineation wells from an existing platform in the Point Arguello Field. However, if Nuevo decides to conduct delineation drilling from a Mobile Offshore Drilling Unit, then they would be required to conduct high resolution geophysical surveys to look for geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. These surveys would occur during the suspension period. Nuevo is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Nuevo would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. Additionally, the ROV biological survey is estimated to take about 5	MMS will prepare an Environmental Assessment for the Bonito Unit.

1 Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS approves their suspension, it would not be for a range of dates; it would be for a finite length.

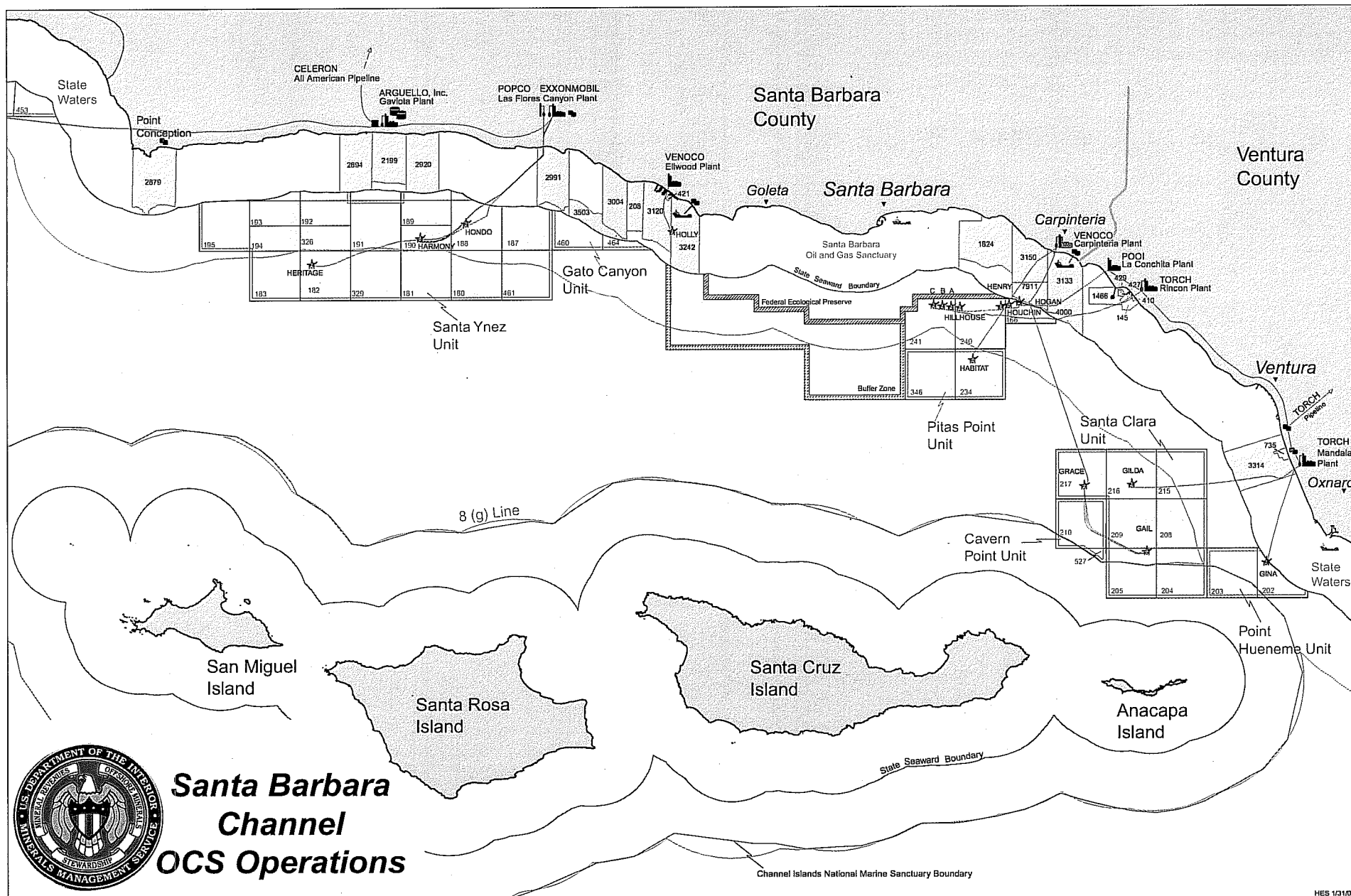
2 Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

3 At the present time, Nuevo is undecided as to whether to bring in a Mobile Offshore Drilling Unit (MODU) to drill delineation wells after the suspension period ends, necessitating a 17 month suspension, or to proceed to development from the existing facilities at the Point Arguello Field, necessitating a 10 month suspension. Therefore, their proposed activities during the suspension period differ, depending upon the alternative eventually decided upon.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
		<p>days with good weather. If Nuevo decides to drill from the existing facilities in the Point Arguello Field, then geophysical and biological surveys are not required.</p> <p>Nuevo would also submit revisions to their previously approved Exploration Plan. Preparation of revisions to the Exploration Plan for leases in this Unit is an administrative activity that would be completed at Nuevo's offices.</p>	
ROCKY POINT UNIT / LEASES OCS-P 0452 and 0453 Operator: ARGUELLO INC.	Arguello Inc. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Arguello Inc. has requested a suspension of 30 months. During the suspension period, Arguello Inc. would submit revisions to their previously approved Development and Production Plan for the Point Arguello Unit. Preparation of revisions to the Development and Production Plan for this Unit is an administrative activity that would be completed at Arguello Inc's offices. No activities, during the suspension period, on the Rocky Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Rocky Point Unit.
SWORD UNIT / LEASES OCS-P 0319, P 0320, P 0322, P 0323A Operator: SAMEDAN OIL CORP.	Samedan. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 25 months. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Sword Unit. Preparation of a revised Exploration Plan for this Unit is an administrative activity that would be completed at Samedan's offices. No activities, during the suspension period, on the Sword Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Sword Unit.
GATO CANYON UNIT / LEASES OCS-P 0460 and 0464 Operator: SAMEDAN OIL CORP.	Samedan has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 31 months. During the suspension period, Samedan would conduct high resolution geophysical surveys to look for geohazards on the Unit. Samedan would plan the surveys for the Fall of the year following approval of their suspension application ¹ . Samedan is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Samedan would use a multi-spectral suite of acoustic reflection profiling systems, which may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Gato Canyon Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Samedan's offices.	MMS will prepare an Environmental Assessment for the Gato Canyon Unit.
CAVERN POINT UNIT / LEASES OCS-P 0210 and 0527 Operator: VENOCO INC.	Venoco. has requested a Suspension of Operations pursuant to 30 CFR 250.171. A Suspension of Operations is defined as a deferral of the requirement to conduct leaseholding operations. (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Venoco has requested a suspension of 13 months. During the suspension period, Venoco Inc. would submit an Exploration Plan for the Cavern Point Unit. Preparation of an Exploration Plan for this Unit is an administrative activity that would be completed at Venoco's offices. No activities, during the suspension period, on the Cavern Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Cavern Point Unit.

¹ Geophysical surveys would be planned for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.



**Santa Barbara
Channel
OCS Operations**

Lion Rock Unit

8 (g) Line

State Waters

TOSCO/Santa Maria

San Luis Obispo County

Santa Maria

Orcutt

Point Sal

Purissima Point Unit

Vandenberg Air Force Base

State Waters

TORCH/Lompoc

Santa Maria Unit

Surf

Lompoc

Point Pedernales Unit

Tranquillon Ridge Unit

Santa Barbara County

Point Arguello

Bonito Unit

Rocky Point Unit

HIDALGO

HARVEST

HERMOSA

Point Arguello Unit

Point Conception

State Waters

Sword Unit

8 (g) Line

195



Santa Maria Basin OCS Operations



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

7100

November 1, 2004

CERTIFIED MAIL
Return Receipt Requested

Mr. Robert E. Huguenard
Project Manager
Arguello Inc.
201 S. Broadway
Orcutt, California 93455

Re: Updated Suspension of Production Request
Rocky Point Unit
Offshore California

Dear Mr. Huguenard:

In your updated suspension request letter of April 20, 2004, you indicated that Arguello would drill an initial production well in the Rocky Point Unit during the suspension period. We are writing to clarify that, should a suspension of production be granted, the suspension period will not include any drilling operations. Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided for in the regulations.

If you have any questions in this regard, please contact Joan Barminski at (805) 389-7707 or Allan Shareghi at (805) 389-7704.

Sincerely,

Peter Tweedt
Regional Manager